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Message Text

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13
ACTION EUR-25

INFO OCT-01 EA-11 ADP-00 SCEM-02 EB-11 AID-20 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 IO-12 NEA-10 NSAE-00

RSC-01 OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

INT-08 SS-15 NSC-10 RSR-01 /163 W
---------- 001835
R 221750 Z MAY 73
FM AMEMBASSY ROME
TO SECSTATE WASHDC 8900
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS

C O N F I D E N T I A L ROME 44272

E. O. 11652: GDS
TAGS: ENRG, EEC, IT
SUBJECT: PETROLEUM: ITALIAN VIEWS ON CONSUMER COOPERATION

1. BEGIN SUMMARY: AMB FUNKHOUSER AND EMBOFF MET MAY 17 AND 18 WITH MFA, ENI AND ESSO REPS TO DISCUSS THEIR PARTICULAR VIEWS ON INTERNATIONAL AND ITALIAN ENERGY SITUATION AND CONSUMER COOPERATION. END SUMMARY.

2. MFA SPOKESMAN VANNI (CHIEF ENERGY OFFICE) DREW DISTINCTION BETWEEN POSITION OF EUROPE AND US IN WHICH FORMER UNFORTUNATELY WILL NEVER HAVE POSSIBILITY OF SELF- SUFFICIENCY IN ENERGY AS DOES US. FOR THIS REASON, RELATIONS WITH PRODUCING COUNTRIES AND CO-ORDINATION WITH OTHER CONSUMERS EXTREMELY IMPORTANT TO EUROPEANS AND PARTICULARLY ITALIANS WHO HAVE STRONG INTERESTS IN MEDITERRANEAN. VANNI EMPHASIZED THAT WHILE IN PAST OIL HAD BEEN MERELY
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A COMMERCIAL MATTER, NOW BECOMING INCREASINGLY POLITICIZZED. SUCH NECESSITATES GOVT INVOLVEMENT IN STRUCTURING NEW CONSUMER-PRODUCER
RELATIONSHIPS IN VIEW GROWING INABILITY OF INTERNATIONALS TO FULFILL TRADITIONAL BUFFER ROLE. VANNI ACKNOWLEDGED DIFFICULTY IN ARRIVING AT SINGLE FORMULA FOR CONSUMER GOVTS TO DEAL WITH PRODUCERS, GIVEN WIDE SPECTRUM OF BOTH CONSUMER AND PRODUCER VIEWPOINTS. HE EMPHASIZED IMPORTANCE OF CONCRETE AND FRANK DISCUSSIONS ON THE PROBLEM AMONG CONSUMER IN CONFIDENTIAL OECD FRAMEWORK.

3. REGARDING ATTITUDES ITALIANS HOPED US WOULD TAKE, VANNI URGED SYMPATHETIC VIEW TOWARD OECD DISCUSSIONS ON 1) RELATIONS WITH PRODUCERS, 2) SHARING OF SUPPLIES IN EMERGENCIES, AND 3) OVERALL ROLE OF THE OIL COMPANIES, INCLUDING THEIR GROWING DIFFICULTY IN FINANCING ENORMOUS INVESTMENT REQUIREMENTS. VANNI FELT THAT BASIC AGREEMENT AMONG CONSUMER COUNTRIES THAT OIL HAS INDEED BECOME A POLITICAL PROBLEM WOULD FACILITATE FRUITFUL OECD DIALOGUE.

4. VANNI DESCRIBED CONCEPT OF " APPROVED COMPANIES" IN EC COMMISSION PAPER AS AN ULTIMATE GOAL, BUT TOO SPECIFIC AT THIS POINT. HE ACKNOWLEDGED A DIVERGENCY OF VIEWS AMONG EC MEMBERS ON THE SUBJECT. VANNI EXPECTED THAT MAY 22 EC MEETING -- THE FIRST COUNCIL OF MINISTERS DEVOTED EXCLUSIVELY TO ENERGY -- WOULD BE EXPLORATORY IN NATURE, BUT HOPED THAT IT WOULD PROVIDE CONTRACTIVE SETTING FOR SUBSEQUENT MAY 30 SIMONET VISIT TO WASHINGTON AS WELL AS UPCOMING OECD OIL COMMITTEE MEETING.

5. DISCUSSION WITH ENI OFFICIAL (SFLIGIOTTI, CHIEF OF HYDROCARBON AND ENERGY PLANNING SERVICE) CONCENTRATED LARGELY UPON SUBJECT OF DIALOGUE WITH PRODUCING COUNTRIES. SFLIGIOTTI ECHOED VANNI' S COMMENTS ON IMPLICATIONS OF EVENTUAL US SELF- SUFFICIENCY IN ENERGY WHEREAS EUROPE WOULD ALWAYS BE DEPENDENT ON FOREIGN SOURCES.
IN THIS LIGHT, SFLIGIOTTI FULLY UNDERSTOOD AND SAID HE HAD EXPECTED BRIEF, GENERAL TREATMENT OF INTERNATIONAL COOPERATION IN US MESSAGE. SFLIGIOTTI EXPRESSED CONCERN THAT CONSUMER COORDINATION WOULD BE CONSIDERED BY PRODUCERS AS A BLOC AGAINST THEM. HE URGED GREATER DIALOGUE WITH PRODUCERS, AND DEFENDED ENI-ADVOCATED
POLICY OF DIRECT RELATIONSHIPS IN WHICH EQUIPMENT AND TECHNICAL ASSISTANCE AS WELL AS GUARANTEED CONSUMER MARKET OUTLETS EXCHANGED
FOR OIL. HE ACKNOWLEDGED THAT SUCH AN ARRANGEMENT -- IN PARTICULAR MARKET SHARE ASPECT WHEREBY INDUSTRIALIZED COUNTRIES WOULD GUARANTEE A PORTION OF THEIR MARKETS TO EXPORTS FROM PRODUCER
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COUNTRIES -- WOULD NECESSITATE COORDINATED POLICIES ON PART OF CONSUMERS. THIS REQUIREMENT COULD BE USED TO CONVINCE PRODUCERS THAT CONSUMER COOPERATION IS ONLY WAY TO SATISFY INTERESTS OF

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PRODUCERS.

6. SFLIGIOTTI FELT THAT CLOSE CONSUMER- PRODUCER LINKS EVEN MORE IMPORTANT TO DEAL WITH POTENTIALLY DESTABILIZING SUMS OF CAPITAL EXPECTED TO ACCUMULATE IN PRODUCER COUNTRIES IN YEARS AHEAD. SFLIGIOTTI CONCLUDED THAT LINKING OF OIL WITH OTHER THINGS -- E. G., SUPPLY OF GOODS AND SERVICES, GUARANTEE OF MARKETS, FRAME-WORK FOR PRODUCTIVE UTILIZATION OF ACCRUED CAPITAL -- SEEMED TO BE BEST WAY TO INDUCE THE PRODUCERS TO CONTINUE THE FLOW OF OIL.

7. MEETING WITH INDUSTRY REP (LIOTTA, ESSO ITALIANA) CONSISTED LARGELY OF RUNDOWN ON ITALIAN PETROLEUM MARKET SITUATION WHICH LIOTTA DESCRIBED AS FREE, COMPETITIVE MARKET (DESPITE REUGLATED PRICES AND CLOSE GOVT SUPERVISION) IN WHICH PRIVATE INDUSTRY CONTINUES TO PLAY AN IMPORTANT ROLE ALONG WITH A STATE OIL COM-PANY. ON SUBJECT OF CONSUMER COOPERATION, LIOTTA CONVEYED VIEWS OF ITALIAN NATIONAL MANAGEMENT ASSOCIATION (CONFINDUSTRIA) WORK-ING GROUP MEETING ON ENERGY (REPRESENTING PRIVATE SECTOR INTER-ESTS) WHICH HE ATTENDED WEEK OF MAY 7. ACCORDING TO LIOTTA, GROUP WAS CONVINCED THAT US SHOULD EXERT LEADERSHIP ON QUESTION OF INTERNATIONAL COOPERATION. GROUP EXPRESSED CONCERN, HOWEVER, OVER
GROWING US ROLE AS LARGE NET IMPORTER, IN PARTICULAR POSSIBILITY THAT USG MIGHT IN PERIOD OF CRISIS INSTRUCT US COMPANIES TO FAVOR US MARKET OVER OTHER MARKETS. LIOTTA SUGGESTED THAT USG REASSUR-ANCE TO THE CONTRARY IN UPCOMING OECD OIL MEETING WOULD BE MOST HELPFUL; ALSO POSITIVE US SUGGESTIONS FOR BURDEN CHARING IN PERIODS OF CRISIS AND CONSTRUCTIVE VIEWS ON OTHER FORMS OF CONSUMER COOPERATION -- E. G., CONSERVATION, RESEARCH AND DEVELOPMENT, ALTERNATIVE ENERGY SOURCES. FINALLY, LIOTTA PERSONALLY THOUGHT WE WOULD BE WELL ADVISED TO FURTHER EMPHASIZE FACT THAT WHAT US IS DOING ON THE DOMESTIC SIDE WILL BENEFIT ALL CONSUMER COUN-TRIES. VOLPE

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To: BONN
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EC BRUSSELS
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LONDON
PARIS
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